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C O N F I D E N T I A L SECTION 01 OF 02 MANILA 000212

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TAGS: PREL ECON CH RP

SUBJECT: VISIT OF CHINA PREMIER WEN JIABAO HIGHLIGHTS
ENHANCED ENGAGEMENT

REF: A. MANILA 179

¶B. 06 MANILA 4972

Classified By: Pol/C Scott Bellard, reasons 1.4 (b) and (d)

¶1. (C) Summary. During a January 15-16 official visit to Manila, Chinese Premier Wen Jiabao and his delegation signed about 30 bilateral agreements with a value of over US\$6 billion, focusing on agriculture, ethanol production, development assistance, and on economic and technical cooperation. Premier Wen met with President Arroyo, Senate President Manuel Villar, and House Speaker Jose de Venecia Jr., who praised him as "one of the world's great leaders." According to Philippine Chief of Staff General Esperon, plans for Philippine military cadets to study at China's military academies have now been finalized. Both sides describe enhanced China-Philippine engagement as in a "golden age," with prospects for ever closer ties in the future. End Summary.

Expanding Economic Ties

¶2. (SBU) Chinese Premier Wen Jiabao's 19 hour official visit to Manila followed his participation in the East Asia Summit and related Association of Southeast Asian Nations summits in Cebu January 14-15 (ref a). In a joint statement, President Arroyo and Premier Wen "reaffirmed that China-Philippine relations are at a golden age of partnership." Department of Foreign Affairs' China and North Asia Division Director Daniel Espiritu confirmed to poloff that the two leaders presided over the signing of about 30 economic and technical agreements during the visit (a partial list of agreements is in para 7). Eighteen new agri-business agreements will bring US\$4.9 billion in Chinese investments in the Philippine agricultural sector. Additionally, China extended US\$1 billion of developmental assistance in the form of preferential buyer's credits targeting rural development and the Northrail Project (ref b). Espiritu said that Chinese and Philippine firms had signed an additional four agreements on ethanol production. He predicted that the pace of interaction will increase still further in 2007 and beyond.

¶3. (U) Joining Premier Wen at Malacanang Palace were Vice Minister of Finance and Commerce Liao Xiaoqi, Export-Import Bank Governor Li Ruogu, and President of the China National Technical Import and Export Corporation Jiang Xinaheng.

"One of the World's Great Leaders"

¶4. (SBU) On January 16, Premier Wen met separately with Senate President Manuel Villar and prominent members of the Filipino-Chinese community, and also attended a luncheon hosted by House Speaker Jose de Venecia Jr. During the lunch, Speaker de Venecia presented Premier Wen with the Congressional Medal of Achievement, the highest award bestowed by the House of Representatives, and hailed him as "not only one of the region's great leaders, but one of the world's great leaders." Speaker de Venecia also lauded the agreements entered into by the Philippines and China during the visit.

¶5. (C) Armed Forces of the Philippines Chief of Staff General Hermogenes Esperon privately told Pol/C that the two sides had now formalized an agreement for Philippine military personnel to attend Chinese military academies. General Esperon added that the Philippine cadets are unlikely to begin these courses for at least 1-2 years, because they will first need language training.

¶6. (C) Comment: Premier Wen's visit is another example of China's successful "charm offensive" in the region. The presence of Chinese investors and tourists is increasingly noticeable in major cities around the country, although the PRC has not yet formally opened its new Consulate in Laoag in Northern Luzon. While some Philippine pundits agonize that better relations with the PRC will necessarily come at the cost of straining even more important ties with the U.S., more thoughtful observers welcome the greater engagement and believe that China and the U.S. have complementary roles to play in advancing goals of peace and prosperity in the Philippines and the region. End Comment.

¶7. (U) Among the agreements signed during Premier Wen's visit are:

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- a framework agreement, covering the next ten years, on expanding and deepening bilateral economic and trade cooperation;
- a memorandum of understanding establishing an Economic Cooperation Working Group responsible for projects in priority areas;
- a US\$1.9 million agreement expanding and deepening agriculture and fisheries cooperation;
- an agreement on economic and technical cooperation to include a grant of US\$1.9 million;
- a framework agreement for the provision of a concessional loan to the Philippines for the Non-Intrusive Container Inspection System Project;
- a memorandum of understanding for the provision of a US\$500 million loan for the first phase of Northrail project;
- a US\$500 million preferential buyer's credit from the Export Import Bank of China to finance rural development programs in the Philippines;
- an engineering procurement and construction contract for the rehabilitation and upgrading of the Philippine Mainline South Railway Project Phase 1;
- an agreement on the protection of cultural heritage;
- a memorandum of understanding allowing the Chinese Fuhua Group Ltd. to invest US\$3.8 billion to develop one million hectares for higher-yielding corn, rice and sorghum;
- agreements with the Beidahuang Group, a corporate state farm of Heilongjiang province, providing for the agricultural development of 200,000 hectares in Northern Luzon and a

US\$120 million project for the construction of all-weather greenhouses for the cultivation of flowers and off-season produce for export to Japan, Hong Kong, and Taiwan; and,

- an agreement with the Jiangnan Wholesale Market that permits the Philippines to sell fruits such as papaya, bananas, pineapples and mangoes to China.

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